



# OIL DAILY

*Today's complete oil and gas news briefing*

## China's Thirst for Oil Pushes Global Energy Demand to Record

World energy consumption increased by 4.3% in 2004, the highest annual percentage growth since 1984 and double the 10-year average rate, BP chief economist Peter Davies said Tuesday at the release of the "2005 BP Statistical Review of World Energy."

China represented 13.6% of world energy use last year. The country's energy demand grew by 15.1% in 2004, slightly less its 16.4% growth in 2003 and 23.5% growth in 2002. Although down from earlier years, China absorbed almost half of the world's extra energy consumption last year. Excluding China, world energy demand grew by 2.8% in 2004.

BP's review found that world oil demand growth was 2.5 million barrels per day in 2004, of which 900,000 b/d was absorbed by China.

Worldwide oil production increased by 4.5% to 80.26 million b/d last year, according to BP. Davies noted that at times the rolling year-on-year increment was only 1 million b/d, which explained why the average Brent crude price in 2004 was \$38 per barrel, a third more than its 2003 level of \$29/bbl. So far this year, the Brent average is \$49/bbl.

China, which 10 years ago used coal to cover three-quarters of its primary energy requirements, has stepped up its share of oil

consumption. Last year it accounted for 200,000 b/d of extra gasoline consumption, 85,000 b/d more diesel and 150,000 b/d more residual oil in power generation.

Most regions saw greater oil demand growth last year. Only one major country — Japan — watched its oil consumption fall as more nuclear plants were brought back into production following outages in 2003. Japan's oil use slipped by 70,000 b/d in 2004.

Opec output grew by 7.7% to just over 32.9 million b/d in 2004. Davies added that five members — Saudi Arabia, Algeria, Nigeria, Qatar and UAE — each reached record oil output levels last year.

Meanwhile, former Soviet Union oil output surged by 8.8% to just over 11.4 million b/d, of which Russia's share was 750,000 b/d more and Kazakhstan's 180,000 b/d.

OECD states produced around 500,000 b/d less, with the largest reductions coming from the US, UK and Australia.

So why did prices rise, asked Davies, and why did they continue to rise to around \$55/bbl in mid-March 2005?

"Almost all oil production capacity in the world is being fully worked with between 1 million and 1.5 million b/d of spare production capacity now available at

most," he replied, adding there had also been a shortage of light, sweet crudes and upgraded refinery capacity.

Natural gas, by contrast, saw the slowest 2004 growth in global consumption of any commercial fuel — a mere 3.3% worldwide. North American gas growth was zero, as high prices depressed industrial demand, while a mild winter eased residential use.

Outside North America, gas growth was 4%, but much of the extra volume was consumed outside the OECD.

Worldwide proven oil reserves at year-end 2004 totaled 1.19 trillion barrels, which puts the reserve-to-production ratio at 40.5 years. Proven global gas reserves of 179.53 trillion cubic meters (6,337.4 trillion cubic feet) puts the ratio at 66.7 years.

Asked if peak oil production hadn't already been reached, Davies replied that some experts had forecast an imminent peak for the past 100 years, but that the evidence showed that production keeps rising to match demand.

However, he admitted that proven reserves published in BP's review are as reported to it by governments, which are not always as tight as the US Securities and Exchange Commission (SEC) definitions.

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